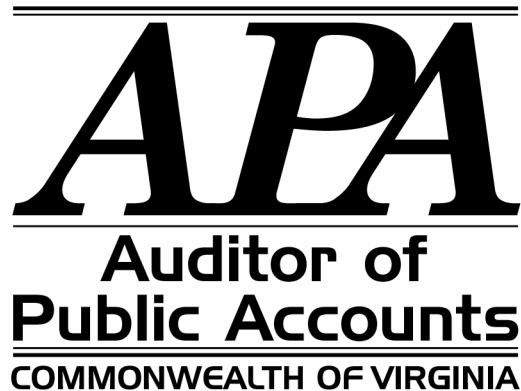


**VIRGINIA DISTRICT COURTS  
STATEWIDE REPORT**

**REPORT ON AUDIT  
DURING THE PERIOD ENDING  
JUNE 30, 2003**



## **AUDIT SUMMARY**

In our audits of the District Courts completed in our fiscal 2003 work plan and cover fiscal periods through June 30, 2003, we identified the following three findings that we consider statewide issues that are common to several district courts.

- Properly Reconcile Bank Account
- Improve Receipting, Deposit, and Cashier Procedures
- Properly Assess and Record Court Fees and Costs

Statewide issues are those internal control findings or compliance issues that require that the Executive Secretary of the Supreme Court, as the district court administrator, consider issuing new guidelines or providing training to help specific courts improve. In addition, the Executive Secretary should consider including these issues when conducting statewide training for all district courts.

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December 1, 2003

The Honorable Mark R. Warner  
Governor of Virginia  
State Capitol  
Richmond, Virginia

The Honorable Kevin G. Miller  
Chairman, Joint Legislative Audit  
and Review Commission  
General Assembly Building  
Richmond, Virginia

We are pleased to submit our statewide report on the **Virginia District Court System**. This report represents the results of audits conducted in our fiscal 2003 work plan and cover fiscal periods through June 30, 2003. The Supreme Court operates the District Court System subject to the Chief Justice of the Supreme Court's administrative supervision. The Virginia District Court System includes all General District Courts, Juvenile and Domestic Relations District Courts, and Combined District Courts in the Commonwealth of Virginia.

Our audits determined whether court officials have maintained accountability over collections, established internal controls, and complied with state laws and regulations. We used a risk-based audit approach for district courts that assesses risk for each individual court to determine the amount of testing we would perform. There are a total of 195 district courts in the Commonwealth. Three localities have General District Courts with multiple divisions for which we issue separate reports. We had findings in 25 of the 161 district courts audited during the period.

This report summarizes the findings from our audits that we consider statewide issues that were common to several district courts. Statewide issues are those internal control findings or compliance issues that require that the Executive Secretary of the Supreme Court, as the district court administrator, consider issuing new guidelines or provide training to help these offices improve. In addition, the Executive Secretary of the Supreme Court periodically holds training for all district courts and should consider emphasizing these matters during future training sessions.

- Properly Reconcile Bank Account
- Improve Receipting, Deposit, and Cashier Procedures
- Properly Assess and Record Court Fees and Costs

We have included a further discussion of each of these statewide findings in the "Statewide Internal Control and Compliance Issues" section of this report.

This report is intended for the information of the Governor and General Assembly, court management, and the citizens of the Commonwealth of Virginia and is a public record. We have previously

discussed the findings contained in this report with court management at the completion of our individual clerk's office audits during the period.

AUDITOR OF PUBLIC ACCOUNTS

JMS:whb  
whb:28

## STATEWIDE INTERNAL CONTROL AND COMPLIANCE ISSUES

A majority of our findings in the district courts system focus on the court's lack of strong accounting and internal control procedures in various areas of daily office operations. We have included a summary discussion of the three statewide issues below.

### Properly Reconcile Bank Account

Reconciling the bank statement to the check book to the automated accounting system is a very important and fundamental process in maintaining strong internal controls within the district court. When done properly and timely, the bank reconciliation helps determine the accountability of recording all transactions, detecting and correcting any errors, and the accounting records accurately reflect the amount of money in the bank. Conversely, failing to properly reconcile the bank account significantly increases the chances that errors, theft, omissions, or other irregularities could go undetected. We noted the following weaknesses regarding the reconciliation of the courts' bank accounts.

- Some clerks fail to properly resolve differences between the bank statement and the court's automated financial system. We noted differences stemming from returned checks or routine bank service fees, and incorrect adjustments to either the bank balance or the system balance. Oftentimes reconciling items go unresolved for extended periods of time. Allowing these reconciling items to go unresolved for several months makes it that much more difficult and time consuming to accurately reconcile the bank account.
- Other clerks do not reconcile their bank account to the automated financial system for periods up to twelve months. We also noted that in some courts, the clerk or other supervisory staff did not routinely review the monthly reconciliations.
- Some clerks do not perform a complete reconciliation in that they reconcile the monthly bank statement to the check book register, but fail to reconcile to the automated financial system balance.
- Finally, we noted that some clerks do not properly reconcile collections to the actual cash on hand as part of their daily closing procedures.

Proper and timely reconciliations help identify errors and promote timely correction of those errors so that the court's financial management system properly reflects the court's activities. Clerks should properly reconcile their bank accounts to the check book and the automated financial system each month and resolve all differences timely.

Clerks who may not fully understand the reconciliation process in an automated system environment should immediately seek assistance and training from the Supreme Court. Failing to reconcile the bank account monthly or not resolving all differences promptly significantly increase the risk of errors, fraud, or other irregularities going undetected.

We noted bank reconciliation issues at the following District Court Clerk offices:

Brunswick County Combined  
City of Colonial Heights Combined  
Chesterfield County General District  
Montgomery County General District

City of Newport News General District  
City of Petersburg General District  
City of Portsmouth General District

### Improve Receipting, Deposit, and Cashier Procedures

Some clerks do not properly receipt funds, record them in the financial system, or properly secure collections. We noted the following receipting, depositing, or cashing issues.

Some courts have inadequate accountability of daily receipts because in these courts multiple staff routinely use the same cash drawer. One clerk reported to us three separate incidents where the daily collections were each short by \$100. Subsequent investigations by this office and law enforcement could not determine if someone within the court was responsible for the loss, because the clerk's procedures allow all employees to use the same cash drawer when receipting collections. During this year's audit we noted additional cash shortages totaling \$91 that the clerk determined to be receipting errors. We again recommend that the clerk contact the Supreme Court of Virginia for guidance on establishing cash drawers for each employee. We encourage her to establish and implement new procedures as quickly as possible. Proper staff accountability of cash reduces the risk of errors and misappropriation of funds and may increase the potential for recovery of funds.

In another court, the clerk did not promptly receipt and deposit \$200 in magistrate funds. We found two checks attached to their respective case files that the clerk failed to deposit in the bank or record into the court's financial management system until six weeks after the funds were delivered to the court. Clerks should receipt and deposit all funds promptly as prescribed by the Code of Virginia, Section 17.1-271 to reduce the risk of loss of funds.

Some clerks do not properly account for cash overages and shortages. In one court, when the cash register has an overage, the clerk leaves the amount in the cash drawer until it nets to zero. When a register is short, the clerk takes money from her personal funds and adds it to the deposit. Another clerk does not record daily cash register overages and shortages in the court's financial management system. When the office experiences a cash shortage, this clerk puts in the difference out of her own pocket instead of accounting for the shortage in the court's automated system. On the other hand, when the office experiences a cash overage, staff put the money in an unrecorded cash fund. To avoid potential loss or misappropriation of funds, the clerk should ensure she and her staff understand and follow the procedures for recording daily cash overages and shortages outlined in the Financial Management System User's Guide. Recording overages and shortages in the system lets clerks monitor daily differences and take appropriate action to resolve any transaction errors. Further, clerks should not co-mingle their personal funds with court funds.

Finally, some clerks delay depositing the court's daily collections. We noted delays of up to five business days before depositing daily collections in the bank. Delaying the deposit of court collections unnecessarily exposes the funds to an increased risk of misappropriation or theft. Clerks should deposit daily collections in the bank each day. One clerk also improperly records deposits in the automated accounting system before actually depositing the collections and receiving the validated bank deposit slip. Recording deposits in the automated accounting system before the bank's validation can result in unnecessary differences and increases the risk of errors remaining undetected. Clerks should not record daily collections in the accounting system before actually depositing the funds. Conversely, in other courts we noted delays of up to 47 days before court staff recorded daily deposits in the automated financial system. Recording deposits timely in the system helps reduce the risk of errors remaining undetected and eases the record keeping and reconciliation processes.

We noted receipting, depositing, or cashiering issues at the following District Court offices:

Alleghany County Combined  
Buckingham County Combined  
Charles City County Combined  
Cumberland County Combined  
Fairfax County General District  
Montgomery County General District

City of Petersburg General District  
City of Portsmouth General District  
Prince George County Combined  
City of Richmond – Manchester General District  
Roanoke County Juvenile & Domestic Relations

#### Properly Assess and Record Court Fees and Costs

Some clerks do not properly assess and record fees and costs in accordance with the Code of Virginia. We found errors in the assessment of such fees and costs as the time-to-pay management fee, drug offender fees, and local jail admission fees. We also found offices that routinely altered the amounts of fees and costs from the court-ordered amounts without supporting documentation such as court orders or signed payment agreements. Clerks need to be more diligent in assessing and collecting fees and costs to help finance the district court system and to ensure compliance with the Code of Virginia.

We noted improper assessing of fees or costs at the following District Court Clerk offices:

Brunswick County Combined  
Charles City County Combined  
Cumberland County Combined  
Dinwiddie County Combined  
Prince George County Combined

City of Colonial Heights Combined  
City of Hopewell Combined  
City of Richmond – Manchester General District  
Halifax County Juvenile & Domestic Relations  
Stafford County Juvenile & Domestic Relations



# APPENDIX 1

## DISTRICT COURT AUDITS

This Appendix is a listing of those General District, Juvenile and Domestic Relations, and Combined General District courts that we audited during our fiscal 2003 work plan and cover fiscal periods through June 30, 2003.

General District Courts	Juvenile and Domestic Relations Courts	Combined General District Courts
Albemarle County	Albemarle County	Alleghany County*
City of Alexandria	Amherst County	Amelia County
Amherst County	Appomattox County	Bath County
Appomattox County	Arlington County	Botetourt County
Arlington County	Augusta County	Brunswick County*
Augusta County	Bedford County	Buchanan County
Bedford County	City of Bristol	Buckingham County*
City of Bristol	Campbell County	City of Buena Vista
Campbell County	Charlotte County	Carroll County
Caroline County	City of Charlottesville	Charles City County*
Charlotte County	Chesterfield County	City of Colonial Heights*
City of Chesapeake	Clarke County	Craig County
Chesterfield County*	Fairfax County*	Culpeper County*
Clarke County	Fauquier County	Cumberland County*
City of Fairfax	Franklin County	Dickenson County
Fairfax County	Frederick County	Dinwiddie County*
Fauquier County	City of Fredericksburg	City of Falls Church
Franklin County	Gloucester County	Floyd County
City of Fredericksburg	Halifax County*	Fluvanna County
Gloucester County	Hanover County	City of Franklin
Halifax County	Henrico County	City of Galax
Henrico County	Henry County	Giles County
Henry County	James City/Williamsburg	Goochland County
King & Queen County	King & Queen County	Grayson County
King William County	King William County	Greene County*
Lancaster County	Lancaster County	Highland County
Loudoun County	Loudoun County	City of Hopewell*
City of Lynchburg	City of Lynchburg*	Lee County
City of Martinsville	City of Martinsville	Louisa County
Mecklenburg County	Mecklenburg County	Lunenburg County
Montgomery County*	Montgomery County	Madison County
Nelson County	Nelson County	Nottoway County
New Kent County*	New Kent County	Orange County
City of Newport News Crim. Division*	City of Norfolk	Powhatan County*
City of Newport News Traffic Division	Page County	Prince George County*
City of Norfolk Civil Division	Patrick County	City of Radford
City of Norfolk Criminal Division	City of Petersburg	Rappahannock County
City of Norfolk Traffic Division	Pittsylvania County	Richmond County
Page County	City of Portsmouth	Rockbridge County
Patrick County	Prince William County	Russell County
City of Petersburg*	Pulaski County	City of Salem
Pittsylvania County	City of Richmond*	Scott County
City of Portsmouth*	City of Roanoke	Surry County

# APPENDIX 1 DISTRICT COURT AUDITS

General District Courts (Cont'd)	Juvenile and Domestic Relations Courts (Cont'd)	Combined General District Courts (Cont'd)
Prince William County	Roanoke County*	Sussex County
Pulaski County	Rockingham County	
City of Richmond Civil Division	Shenandoah County	
City of Richmond Criminal Division	Smyth County	
City of Richmond – Manchester*	Spotsylvania County	
City of Roanoke	Stafford County*	
Roanoke County	City of Staunton	
Rockingham County	City of Suffolk	
Shenandoah County	Tazewell County	
Smyth County	Warren County	
Spotsylvania County	Washington County	
Stafford County	City of Waynesboro	
City of Staunton	Westmoreland County	
Tazewell County	City of Winchester	
Warren County	Wise/Norton City	
Washington County	Wythe County	
City of Waynesboro	York County	
Wise/Norton City		
Wythe County		

\*Denotes court audits with one or more findings.

## COMMITTEE ON DISTRICT COURTS

The Honorable H. Thomas Padrick, Jr., Judge, Chairman

The Honorable R. Larry Lewis, Judge

The Honorable Philip Trompeter, Judge

The Honorable Kenneth W. Stolle, Senate of Virginia

The Honorable Malfourd W. Trumbo, Senate of Virginia

The Honorable Henry L. Marsh III, Senate of Virginia

The Honorable Walter A. Stosch, Senate of Virginia

The Honorable William J. Howell, Speaker, Virginia House of Delegates

The Honorable Robert F. McDonnell, Virginia House of Delegates

The Honorable Terry G. Kilgore, Virginia House of Delegates

## OFFICIALS

The Honorable Leroy Rountree Hassell, Sr.  
Chief Justice of the Supreme Court of Virginia

Robert N. Baldwin, Executive Secretary  
Office of the Executive Secretary of the Supreme Court of Virginia